

State Dept. review

20 JAN 1961

**MEMORANDUM FOR: Director of Central Intelligence**  
**THROUGH : Deputy Director (Intelligence)**  
**SUBJECT : Comments on Article on the Cuban Economy,**  
**Wall Street Journal, 19 January 1961**

1. This is an excellent article and its major points are either fully supported by or consistent with information available to us. The most important statement which is not substantiated by our information, however, is that agricultural production is "recovering slowly from the shocks of agrarian reform." This may be true in some agricultural fields, but the economic analyst formerly attached to the US Embassy in Havana, who returned early this month, claimed that agricultural production had suffered an overall decline in the past two years of over 20%.

2. The crux of the whole situation, which is given only passing recognition in the article, is that "the regime must soon choose between war games and economic recovery." The implication is that if it does not quickly choose the latter, the economy will collapse. However, continued pressure by anti-Castro activists including sabotage and terrorism, will make an organized drive for increased production difficult. In addition, sabotage in the sugar mills,

which is likely to increase as the grinding season progresses, will undoubtedly decrease production. The same applies to other agricultural and manufacturing products. The psychological impact of continued terrorism on Castro will probably lead him to further disruptive "war games," despite all the efforts of people like Che Guevara who recognize the needs for increased production.

3. It is also clear that the continued viability of the Cuban economy is dependent on continuation of the major effort by the Sino-Soviet bloc to keep the Cuban economy afloat. We believe that the USSR is prepared for the "long haul" in Cuba and not a brief spectacular episode. Therefore, it can be assumed that the Soviet Union will do all in its power to see to it that the Cubans make the most of what they have and what they are supplied.

4. With respect to foreign exchange, it is clear that the Cubans are desperately short and that they need it for continued purchases of products unavailable in the Sino-Soviet bloc. It is unclear, in this connection, whether the Soviet bloc will continue to pay Cuba in cash for 20% of its sugar purchases. After sugar and nickel (from the now closed US enterprises in Cuba), the most important dollar earners for Cuba in the past have been tobacco, molasses, fruits, and vegetables and the US has been the major market for these items. If the US or other free

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world countries continue these purchases, Cuba will gain an estimated \$75,000,000 to \$80,000,000 in foreign exchange in the coming year. The Cuban budget for 1961 estimated dollar earnings for the coming year at between \$100,000,000 and \$150,000,000--clearly an overoptimistic estimate.

5. The American embassy in Havana, in its last periodic economic report, dated 6 January, expressed doubt that the economic situation in Cuba alone will be enough to topple the Castro regime. The embassy noted that the regime is determined to remain in power through ruthless suppression of the opposition and that, under these circumstances, the Cuban people will probably submit to a severe economic beating before they are moved to concerted anti-Castro action. The embassy pointed out that 1961 will be the most serious one for the Castro regime economically and will require it to make hard economic decisions--which it has long tried to avoid--which will adversely affect that very sector of the population on which Castro is dependent, the lower classes.

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HUNTINGTON D. SHELDON  
Assistant Director  
Current Intelligence

cc: DDCI

OCL/ [ ] (19 January 1961)

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